



## EU Patent Reform

In 2015, as in 2013 and 2014, the unitary patent and Unified Patent Court (UPC) dossier has been among the Federation's highest priorities, following the long-awaited agreement between the European Parliament and Council in late 2012 which resulted in the unitary patent and language Regulations being adopted in December 2012, and signature of the UPC Agreement on 19 February 2013.

The dossier has continued to move forward during 2015, with new ratifications during the year bringing the total to eight. It now appears possible that the required number of ratifications (13 including the UK and Germany) will be achieved by mid-2016 such that the Preparatory Committee's revised target date for commencement of the new system (January 2017) is potentially achievable - though spring or summer 2017 seems more likely.

Other developments especially worthy of note in the year included:

- Dismissal by the CJEU of the so-called "second Spanish Challenge" to the legality of the unitary patent and language regulations (May)
- Provisional agreement to a "True TOP 4" scale of renewal fees for unitary patents (June - see below)
- Italy applying to join the unitary patent system (July - formalised in September - see below)
- Announcement by the UK of the seat of the London branch of the Central Division and Local Division in Aldgate, near the heart of London's financial and legal district (August)
- Rules of the European Patent Litigation Certificate published (September)
- Signature of a new Protocol by many of the signatories to the UPC Agreement meaning that a new Provisional Authority can be created to take over the role of the Preparatory Committee by about mid-2016 and accept opt-outs in advance of the Court opening (October)
- Publication of the 18<sup>th</sup> draft of the Rules of Procedure (October - see below)
- Agreement of the distribution key for unitary patent fees (November - see below)

It will be recalled that in 2014 the Federation had been invited to the hearing on the Rules of Procedure in Trier on 26 November, with Bobby Mukherjee and Alan Johnson attending. The form of the Rules of Procedure subsequently published (the 18<sup>th</sup> draft - published unofficially in July and officially in October) was relatively satisfactory from the Federation's perspective, with three of its five main issues being addressed (language, bifurcation / injunctions and procedural appeals). Concerns remain over the overall powers of the UPC to manage disputes as opposed to individual cases, and issues of timings and duration of oral hearings in important cases, but on these points no further scope for improvement seems possible.

The main part of the Federation's work in 2014 has concerned various aspects of cost. One freestanding issue, however, (and the first issue in time) was confidentiality. This was considered in PP 12/14 posted on 9 December 2014 reflecting concerns amongst IP

Registered Office 5th floor, 63-66 Hatton Garden, London EC1N 8LE

Email: [admin@ipfederation.com](mailto:admin@ipfederation.com) | Tel: 020 72423923 | Fax: 020 72423924 | Web: [www.ipfederation.com](http://www.ipfederation.com)

Limited by guarantee Registered company no: 166772

Federation members regarding the broad issue of information security within the UPC system. The concerns are of two types. First, server security, and secondly the right of access of third parties bearing in mind the duty of disclosure. It remains to be seen exactly how these concerns will be addressed.

With regard to costs, there were three elements of focus during the year. First unitary patent fees, secondly court fees, and thirdly opt-out fees.

All three subjects were addressed in PP 03/15 posted on 23 February 2015, which was particularly addressed to the European Commission. The second and third topics (together with a fourth, somewhat less important topic, recoverable costs) were addressed in PP 08/15 posted on 31 July 2015 submitted in response to the UPC Preparatory Committee's public consultation on the Rules on Court fees and recoverable costs, and also addressed at a seminar in June co-organised by the Federation, CIPA and the UK IPO.

On the topic of fees for unitary patents, the major issue has been the cost of renewal fees. On this, the Federation took the position that the lowest possible fees must be levied to make the unitary patent attractive to industry bearing in mind that many members validate in only a handful of countries, and even then will "prune" their portfolios later in their life - something impossible to mirror under the unitary patent regime. Pleasingly, during the year an agreement was reached that renewal fees would be set on the basis of the equivalent of the fees payable for national designations in Germany, France, the UK and the Netherlands (the so-called True TOP 4). Further, the announcement by Italy (validated in 55% of cases) of its intention to join the unitary patent system has increased the value of the unitary patent. The deal, arrived at provisionally in June, was confirmed with agreement of the distribution key in November.

As indicated above, PP 08/15 was posted on 31 July 2015 being submitted in response to the UPC Preparatory Committee's public consultation on the Rules on Court fees and recoverable costs which had been published on 8 May. In summary the Federation's position on the three elements of the consultation was as follows:

*Court fees:* the most important issue on court fees on which the Federation expressed a view was that there is no need for SME support in the form of reduced fees over and above the provisions permitting entities to reclaim fees if impecunious. In particular, the Federation expressed concerns that SME support would result in non-practising entities receiving unjustifiable financial support. In the alternative, however, the option was favoured which would reward good behaviours among litigants.

*Recoverable costs:* the Federation expressed concern as to a lack of clarity in the rules, in particular as to whether the fees recoverable were per party and/or per patent.

*Opt-out fee:* this is the topic on which Federation members expressed the strongest views, with most believing that it was improper to charge a fee *not* to use the system. Preferably the fee should be zero, but if not, then very modest and reflective of the true cost of the opt-out process, and not a fee such as the proposed €80, which would generate a profit (which would be potentially illegal).

The results of the consultation and the final package of fees are expected in January 2016.

Other issues have also been addressed by the Federation in connection with the practicalities of the opt-out process:

*Registration & payment mechanism:* The IT stream of the Preparatory Committee has said that the opt-out fee (€80) will have to be paid by credit card, one fee per transaction, i.e. no bulk payments. The IP Federation has voiced its concerns as to the practical implications of this by calling for a more efficient method allowing for batch payments and not only by credit / debit card.

*Security:* The proposed on-line pre-registration process may not be sufficiently secure, e.g. it may allow an unscrupulous third party to submit an opt-out request from a specially

created email account, pretending to be the legitimate patent owner, and then start a national nullity action thereby preventing the patent owner from withdrawing the opt-out. The Federation proposes to draw attention to these shortcomings. A safer alternative may be to require use of the EPO's on-line filing passes and passwords, so that the identity of the submitter is verified.

*Pre-notification in Sunrise Period:* It is proposed to set up a provisional 'sunrise register' which will be kept by the UK IPO (acting on behalf of the Provisional Authority) to allow advance notification of patents to be opted out, including processing the payment of € 80 per patent. Since this register will be a database that will be accessible on-line, without paper documents, it can be transferred to the Court's Registry when the Provisional Authority hands over to the UPC itself, so the opt-out register will come into existence immediately the Court opens. It is not yet clear when the sunrise register will open. The software system should be ready by January 2016, so it could be anywhere between then and just a few months before the Court itself opens. In short, the sunrise register is likely to open sometime during 2016.

Finally, there is one topic worthy of further mention which has not been the subject of any official pronouncements during the year, but which is of special interest to the Federation. This is the topic of judges of the UPC. It is naturally considered that UPC judges should be of the highest quality. It is understood that the result of the process of collecting "expressions of interest" from potential judges was to identify a lack of practical experience of patent litigation among many southern and eastern European judges. Hence, there has been, during the year, training of potential candidate judges by seminars at the Training Centre in Budapest, and by secondments, to countries such as the UK which has, for example seen a Czech judge sitting in the Patents Court with Mr Justice Birss. Whilst welcome, it is not yet clear whether this training will achieve the most desired level of experience among the judicial pool. In particular, it is not clear whether the salary set will be sufficient to attract the best of the English, German and Dutch judges necessary to make the system of the highest quality. Rumours of an announcement in December 2015 have yet to materialise at the time of writing.

Alan Johnson, Bristows LLP, 3 December 2015